

SENATE BILL REPORT

SB 5511

As Reported by Senate Committee On:
Ways & Means, February 10, 2009

Title: An act relating to making changes affecting city-county assistance account distributions in response to the recommendations of the joint legislative audit and review committee.

Brief Description: Making changes affecting city-county assistance account distributions in response to the recommendations of the joint legislative audit and review committee.

Sponsors: Senators Prentice, Hobbs, Oemig and Shin; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/09/09, 2/10/09 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pflug, Pridemore, Regala, Rockefeller and Schoesler.

Staff: Dean Carlson (786-7305)

Background: In 2005 the Legislature enacted Engrossed Substitute Senate Bill 6050 to establish the city-county assistance account (CCAA). The CCAA provides funds to distressed cities and counties that were most severely impacted by the repeal of the MVET. The CCAA is funded by a portion (1.6 percent) of state real estate excise tax (REET) revenues, which reduced the amount of REET revenue that is deposited in the public works assistance account from 7.7 percent to 6.1 percent.

Distributions from the CCAA are made quarterly based on amounts certified by the Department of Revenue (Department) by March 1 of each year. Formulas are used to determine eligibility for CCAA distributions and in what amounts. Elements of the formulas include local sales tax revenues, assessed property values, and population.

Included in ESSB 6050 was a directive to the Joint Legislative Audit and Review Committee (JLARC) to review the distributions to cities and counties and determine if the distributions

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targeted those jurisdictions with the greatest financial need. The JLARC study made two recommendations regarding the CCAA distributions.

The first recommendation was to change the date for certification of CCAA distributions from March to June. This would allow the Department to use the prior year's assessed property valuation data as specified in statute.

JLARC's second recommendation is for the Department to provide the Legislature with a report on the interaction between streamlined sales tax (SST) mitigation funding to cities and counties and distributions provided through the CCAA.

Summary of Bill: SST mitigation distributions are included into the determination of eligibility for, and amounts of, CCAA distributions. SST mitigation payments are treated as annual distributions of local sales and use taxes imposed by the city or county.

The certification date for CCAA distributions is changed from March 1 to October 1, beginning October 1, 2009. This date will enable the Department to use the prior year's assessed property valuation data as specified in statute.

The Department's certification is final after a 30-day review period. By September 1 of each year, the Department will provide a preliminary certification of jurisdictions eligible for assistance. After a 30-day review period, the Department would finalize the certification by October 1. After the certification becomes final, no changes may be made to the certification.

The bill applies retroactively to March 1, 2009, and prospectively.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is in cooperation with the cities and counties. The primary piece of this is to do what is already in practice and that is to include the streamline mitigation payments into the calculations for the city/county assistance distributions.

Streamline sales tax mitigation dollars are tight, also the city/county assistance monies are tight due to lower real estate excise tax. Accounting for streamline mitigation monies assures that the city/county assistance monies get distributed to the right cities and counties. The change in date for certification will coincide with the locals budget cycles.

Persons Testifying: PRO: Drew Shirk, Department of Revenue; Jim Justin, Association of Washington Cities.